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**REPORT TO THE
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE**

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**Incremental Programming:
A Further Look
(Supplemental Data —
Fiscal Year 1974 Budget Requests)**

B-167034

Department of Defense

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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MAY 15, 1973



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-167034

C/ The Honorable John C. Stennis, Chairman
R Committee on Armed Services S 500
United States Senate

Dear Mr. Chairman:

As you requested on June 5, 1972, we have examined the information obtained from the Department of Defense (DOD) on 5 selected RDT&E programs included in DOD's budget request for fiscal year 1974 for application of incremental programming principles.

Our report (Incremental Programming: A Further Look, B-167034) on the execution of 1973 programs was sent to you on April 18, 1973. We requested 1974 information from DOD on the same 10 weapon system programs and two Federal Contract Research Centers (FCRCs). However, funding plans for the Subsonic Cruise Armed Decoy and the missile for the TRIDENT system were not firm and data was not made available.

Programs were planned within the context of the guidance which DOD believes was agreed upon in an exchange of letters between you and the Assistant Secretary of Defense, Comptroller. Under this guidance, "costs incurred" are used as a basis for incremental programming. Therefore, costs estimated to be incurred during the incremental period of performance include subcontracts awarded and leadtime orders placed for project-related materiel and equipment in addition to work performed and materiel used. This matter was discussed in some detail in our April 1973 report. We suggested that the Committee consider clarifying its guidance to DOD.

Under the cited criteria, nearly all of the work to be performed with fiscal year 1974 funds is shown by DOD to conform to incremental programming principles and coincide with the fiscal year. Due to time limitations we did not verify the information furnished. We examined it only to extract planned periods of work performance to be funded with fiscal year 1974 funds, for correlation with the information obtained previously on the planned use of fiscal year 1973 funds. A brief summary of DOD's budget request for each weapon system and FCRC is included as an appendix.

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As agreed to by your office, we are sending copies to the Chairmen of the House and Senate Committees on Appropriations, the Chairman of the House Committee on Armed Services, H 500 and the Secretary of Defense.

Sincerely yours,



Comptroller General
of the United States

SUMMARY OF
PROGRAMS REVIEWED FOR
INCREMENTAL PROGRAMMING
FISCAL YEAR 1974

	<u>Budget request</u> (millions)
WEAPON SYSTEMS:	
Army:	
Heavy Lift Helicopter (HLH)	\$ 59.925
SAM-D missile	193.866
Site Defense program	170.070
Utility Tactical Transport Aircraft System (UTTAS)	108.885
Navy:	
AEGIS missile	43.174
TRIDENT:	
Submarine system	125.977
Missile system	(a)
Vertical/Short Takeoff and Landing aircraft (V/STOL)	26.300
Air Force:	
Airborne Warning and Control System (AWACS)	197.800
B-1 aircraft	473.500
Subsonic Cruise Armed Decoy (SCAD)	(a)
FEDERAL CONTRACT RESEARCH CENTERS:	
Navy:	
Applied Physics Laboratory, Johns Hopkins University	^b 33.060
Air Force:	
Lincoln Laboratory, Massachusetts Institute of Technology	47.260

^aPrograms not firm; amounts not available.

^bNavy RDT&E funding.

APPENDIX

ARMY BUDGET REQUEST FOR
HEAVY LIFT HELICOPTER

For the HLH program, as well as the SAM-D, Site Defense, and UTTAS programs, data pertaining to periods of performance was developed by the Army within the context of the definition of "costs to be incurred" during the incremental time period. This definition of costs includes not only the estimate of actual costs to be incurred, such as salaries and wages paid and materiel used, but also all other liabilities which have to be created during the time period to further the project, such as subcontracts awarded and leadtime orders placed for project-related materiel and equipment.

The fiscal year 1974 RDT&E program estimate for the HLH is \$59.925 million. Plans show all work is to be performed by June 30, 1974. Performers are estimated to require the following funds during the fiscal year.

	<u>Amount</u>
	(millions)
ATC components and prototype--	
Boeing-Vertol	\$36.6
PPFRF engine--Detroit Diesel	
Allison Division	14.9
DSTR engine--Boeing-Vertol sub-	
contract to Detroit Diesel	5.7
PMO	1.9
AMRDL	<u>.8</u>
Total	<u>\$59.9</u>

ARMY BUDGET REQUEST FOR

SAM-D MISSILE

The SAM-D engineering development program was planned under incremental funding principles using "costs" and "work performed" synonymously. A work authorization to a Government organization supporting the project manager was considered the same as a contract. The fiscal year 1974 estimate allows for in-house effort to be carried to June 30, 1974, only.

The fiscal year 1974 RDT&E program estimate is \$193.866 million. The Raytheon Company, the prime contractor, will require an estimated \$165.371 million. The period of performance is from mid-July 1973 to mid-July 1974.

The amount for Raytheon includes an estimated \$38.793 million for the Martin Company, the major subcontractor. Martin's period of performance coincides with Raytheon's. Also included for Raytheon are amounts for smaller subcontracts (each under \$10 million). There are approximately 17 subcontracts planned in fiscal year 1974 for materiel and long leadtime components. These 17 subcontracts will be primarily fixed-price contracts. To be awarded in fiscal year 1974, they are considered to represent costs incurred in fiscal year 1974 even though in some cases deliveries of materiel will extend through subsequent fiscal years.

In fiscal year 1974, 21 missiles and the demonstration model Fire Control Group are scheduled for delivery. Also in fiscal year 1974 design and fabrication will continue on the prototype equipment that is scheduled for delivery and testing in subsequent years.

In-house effort, to coincide or end with the fiscal year except in some instances when equipment is to be procured or fabricated, is estimated as follows:

	<u>Amount</u>
	(millions)
SAM-D Project manager's office	\$4.000
MICOM	4.655
ECOM (contracts of \$0.896)	1.641
MECOM (" .671)	1.519
MUCOM (" 2.574)	7.069
TACOM (" .051)	3.283
TECOM	1.254
HDL	.250
Other Government agencies	1.594

APPENDIX

Small contracts are estimated to require \$3.230 million in fiscal year 1974. Planned are contracts with IBM (Dec. 1973 to June 1974), SRI (Oct. 1973 to June 1974), Technology Service Corp. (Oct. 1973 to June 1974), and five additional small contracts.

ARMY BUDGET REQUEST FOR
SITE DEFENSE PROGRAM

The fiscal year 1974 RDT&E program for the Site Defense program is \$170.070 million, prepared on an incremental "costs to be incurred" basis. Performers' periods of performance are therefore shown to coincide with the fiscal year. Estimated funds to be required are as follows:

	<u>Amount</u> (millions)
System prime contractor--McDonnell Douglas	\$ 92.8
Missile subsystem prime contractor--Martin-Marietta	38.7
System engineering technical assistance--Teledyne Brown	7.8
Other contractors (\$30,000 to \$300,000 contracts)	1.6
In-House--Project manager's office, SD, SAFSO	4.6
Other Government agencies--AF SAMSO, Picatinny Arsenal, CE-HNDSE, KMR, CE-WES, ECOM, MICOM, AEC	<u>24.6</u>
Total	<u>\$170.1</u>

APPENDIX

ARMY BUDGET REQUEST FOR
UTILITY TACTICAL TRANSPORT AIRCRAFT SYSTEM

The UTTAS program data pertaining to periods of performance was developed within the context of the definition of "costs to be incurred" during the incremental time period.

The fiscal year 1974 RDT&E program estimate is \$108.885 million. Follow-on incremental funding is planned coincident with the fiscal year. Costs include liabilities necessary to further the project during the period for materiel ordered or subcontracts awarded.

	<u>Amount</u>
	(millions)
Prototype--Sikorsky	\$ 26.700
Prototype--Boeing-Vertol	44.600
Air vehicle support--GE	17.200
Engine--GE	14.400
Other contracts	3.350
In-House:	
Project manager's office	1.930
AVSCOM	.120
AMRDL	.400
ECOM	.150
WECO	<u>.035</u>
Total	<u>\$108.885</u>

NAVY BUDGET REQUEST FOR
AEGIS MISSILE

The estimated costs to be incurred for the AEGIS fiscal year 1974 RDT&E program are \$43.174 million. None of the funds are for the period beyond June 1974. Estimated amounts to be required are as follows:

	<u>Amount</u>
	(millions)
Prime contractor--RCA	\$25.100
Technical assistance--APL/JHU	3.440
Raytheon	2.000
Technical support--Vitro	.985
Other contracts	.956
In-house:	
NSWSES	3.046
Long Beach Shipyard	2.128
Ship Engineering Center	1.552
Project support	1.752
Other	<u>2.215</u>
Total	<u>\$43.174</u>

APPENDIX

NAVY BUDGET REQUEST FOR
TRIDENT SYSTEM

We were told that the TRIDENT missile system program is not firm and that information backing up a budget request for fiscal year 1974 is not available.

The fiscal year 1974 RDT&E estimate for the TRIDENT submarine system is \$125.977 million. With the exception of one contract extending into July, no funded periods are planned to extend beyond June 1974, even for those contracts with periods of performance of more than 12 months. Budget estimates to be required by performers are as follows:

	<u>Amount</u>	<u>Period</u>
	(millions)	
GE Knolls Atomic Power Laboratory	\$ 43.000	July 1973 to June 1974
RCA	9.646	July 1973 to June 1974
General Dynamics, Electric Boat	6.167	July 1973 to June 1974
ITT	7.184	July 1973 to June 1974
Westinghouse	3.000	July 1973 to July 1974
IBM	1.680	July 1973 to Oct. 1973
Teledyne-Isotopes	1.745	July 1973 to June 1974
Other contractors:		
Selected	.548	^a Various
To be selected	38.280	^a Various
In-house:		
NUSC	6.193	July 1973 to June 1974
NSRDL/A	2.560	July 1973 to June 1974
NAVSEC/Wash	2.185	July 1973 to June 1974
Other	<u>3.789</u>	July 1973 to June 1974
Total	<u>\$125.977</u>	

^aNo funded period beyond June 1974.

NAVY BUDGET REQUEST FOR
VERTICAL/SHORT TAKEOFF AND LANDING AIRCRAFT

Estimated costs to be incurred between July 1973 and June 1974 for the V/STOL for the Sea Control Ship Prototype program are \$26.3 million. Fiscal year 1974 RDT&E funds are planned as follows:

	<u>Amount</u>	<u>Period</u>
	(millions)	
North American Rockwell	\$ 8.50	July 1973 to Nov. 1973
	13.93	Nov. 1973 to June 1974
Pratt and Whitney	3.45	July 1973 to June 1974
In-house	<u>.42</u>	July 1973 to June 1974
Total	<u>\$26.30</u>	

AIR FORCE BUDGET REQUEST FOR

B-1 AIRCRAFT

Incremental programming plans for fiscal year 1974 RDT&E for the B-1 include \$473.5 million to be committed during the period of performance of July 1, 1973, to June 30, 1974, as follows:

	<u>Amount</u>
	(millions)
Airframe--North American	^a \$305.2
Engine--General Electric	a82.0
Avionics--Boeing	a28.3
Other	<u>58.0</u>
Total	<u>\$473.5</u>

^aIncludes subcontractor incremental programming based on subcontractor funding plans.

APPENDIX

NAVY BUDGET REQUEST FOR APPLIED PHYSICS LABORATORY, JOHNS HOPKINS UNIVERSITY

The planned Navy funding at the laboratory in fiscal year 1974 is \$35.060 for RDT&E appropriations and \$10.615 from other appropriations, a total of \$43.675 million. The fiscal year 1974 budget estimate provides for the 12-month period July 1, 1973, through June 30, 1974, at the fiscal year 1973 rate adjusted by \$3.5 million, a 5.5 percent cost-of-living increase.

Navy plans call for RDT&E funding to be aligned with the fiscal year. Sponsors of technical programs, RDT&E and non-RDT&E, are encouraged to continue to negotiate technical and financial requirements on an October 1 to September 30 basis, consistent with congressional testimony which distinguished between the period to be contracted for or negotiated and the period to be funded.

It is the intent of the Naval Ordnance Systems Command to issue the initial fiscal year 1974 modification to the contract on July 1, 1973. Within 5 days after the issuance of the fiscal year 1974 continuing resolution, sponsors are to certify that funds cited on funding documents, to have been prepared in May, are available for obligation.

When programs are uncertain regarding the exact amount of fiscal year 1974 RDT&E obligation authority which will be made available as of the first of the new fiscal year and when the full 12-months funding increment cannot be authorized for obligation on July 1, 1973, partial funding providing for no less than 3 months' effort will be authorized. Additional RDT&E funding, along with non-R&D funding, will be authorized by issuance of a follow-on contract modification by October 1, 1973.

AIR FORCE BUDGET REQUEST FOR
LINCOLN LABORATORY

Lincoln Laboratory's funding plans for fiscal year 1974 are based on all work being performed between July 1, 1973, and June 30, 1974, as follows:

	<u>Amount</u>	
		(millions)
Air Force basic Lincoln line	\$18.00	
Separately funded Air Force programs	<u>9.86</u>	
Total Air Force program		\$27.86
Other DOD agencies:		
Army	9.50	
ARPA	8.25	
Navy	1.45	
ASD	<u>.20</u>	
Total other DOD		<u>19.40</u>
Total		<u>\$47.26</u>